

**REPORT OF THE AUDIT OF THE
CALDWELL COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

May 14, 2002



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Van Knight, Caldwell County Judge/Executive
Honorable Stan Hudson, Caldwell County Sheriff
Members of the Caldwell County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the Caldwell County Sheriff's Settlement - 2001 Taxes.

We engaged Carpenter, Mountjoy & Bressler, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC, evaluated the Caldwell County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



CARPENTER, MOUNTJOY & BRESSLER, P.S.C.
AUDIT EXAMINATION OF THE
CALDWELL COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES

May 14, 2002

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CALDWELL COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES

May 14, 2002

Carpenter, Mountjoy & Bressler, PSC, has completed the audit of the Sheriff's Settlement - 2001 Taxes for Caldwell County Sheriff as of May 14, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,537,701 for the districts for 2001 taxes. The Sheriff distributed taxes of \$2,442,439 to the districts for 2001 Taxes. Taxes of \$24 are due to the districts from the Sheriff and a refund of \$1 is due to the Sheriff from the school district.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2001 TAXES	3
NOTES TO FINANCIAL STATEMENT	4
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9

Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Van Knight, Caldwell County Judge/Executive

Honorable Stan Hudson, Caldwell County Sheriff

Members of the Caldwell County Fiscal Court

Independent Auditor's Report

We have audited the Caldwell County Sheriff's Settlement - 2001 Taxes as of May 14, 2002. This tax settlement is the responsibility of the Caldwell County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Caldwell County Sheriff's taxes charged, credited, and paid as of May 14, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Van Knight, Caldwell County Judge/Executive
Honorable Stan Hudson, Caldwell County Sheriff
Members of the Caldwell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Carpenter, Mountjoy & Bressler, PSC
Frankfort, Kentucky

Audit fieldwork completed -
August 22, 2002

CALDWELL COUNTY
STAN HUDSON, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES

May 14, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 275,665	\$ 398,441	\$ 941,160	\$ 379,648
Tangible Personal Property	44,509	55,501	132,752	156,310
Intangible Personal Property				32,226
Fire Protection	800			
Increased Through Erroneous Tax Assessments	30	54	101	988
Franchise Corporation Taxes	35,846	46,742	110,353	
Additional Billings	55	77	188	83
Limestone, Sand, and Mineral Reserves	1,529	2,147	5,221	2,101
Penalties	2,999	4,196	9,991	3,802
Adjusted to Sheriff's Receipt	5	7	2	244
Gross Chargeable to Sheriff	<u>\$ 361,438</u>	<u>\$ 507,165</u>	<u>\$ 1,199,768</u>	<u>\$ 575,402</u>
<u>Credits</u>				
Exonerations	\$ 4,810	\$ 6,812	\$ 16,390	\$ 6,751
Discounts	4,883	6,884	16,273	9,143
Delinquents:				
Real Estate	4,634	6,599	15,815	6,363
Tangible Personal Property	88	109	262	256
Total Credits	<u>\$ 14,415</u>	<u>\$ 20,404</u>	<u>\$ 48,740</u>	<u>\$ 22,513</u>
Net Tax Yield	\$ 347,023	\$ 486,761	\$ 1,151,028	\$ 552,889
Less: Commissions *	<u>15,037</u>	<u>20,687</u>	<u>34,531</u>	<u>23,785</u>
Net Taxes Due	\$ 331,986	\$ 466,074	\$ 1,116,497	\$ 529,104
Taxes Paid	331,801	465,835	1,115,934	528,869
Refunds (Current and Prior Year)	<u>168</u>	<u>236</u>	<u>564</u>	<u>231</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ 17</u>	<u>\$ 3</u>	<u>\$ (1)</u>	<u>\$ 4</u>

* Commissions:

10% on \$ 10,000
4.25% on \$ 1,376,673
3% on \$ 1,151,028

The accompanying notes are an integral part of the financial statement.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT

May 14, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 14, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT
May 14, 2002
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October, 24 2001 through May 8, 2002.

Note 4. Interest Income

The Caldwell County Sheriff earned \$2,633 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Caldwell County Sheriff collected \$14,435 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Caldwell County Sheriff collected \$1,443 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Van Knight, Caldwell County Judge/Executive

Honorable Stan Hudson, Caldwell County Sheriff

Members of the Caldwell County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Caldwell County Sheriff's Settlement - 2001 Taxes as of May 14, 2002, and have issued our report thereon dated August 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Caldwell County Sheriff's Settlement - 2001 Taxes as of May 14, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

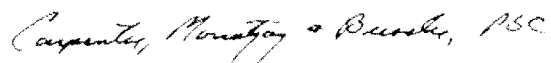
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Caldwell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler, PSC
Frankfort, Kentucky

Audit fieldwork completed -
August 22, 2002

